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SUBJECT: KAZAKHSTAN: PRESIDENT NAZARBAYEV CALLS FOR NEW WORLD
CURRENCY

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11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: At the second annual Astana Economic Forum on March 11, President Nazarbayev called for a new world currency and a "more accountable" monetary policy and urged world leaders to take this up at next month's G-20 summit in London. Nazarbayev essentially blamed U.S. monetary policy for contributing to the global financial crisis, saying, "The country that issues the de facto world currency shows no responsibility to consumers and infringes on the rights of the majority of the world's countries." He added that the current global financial system lacks clear, consistent rules and called for new laws and institutions to provide a framework for a more stable currency regime. Nazarbayev also suggested that the countries of the Eurasian Economic Community could begin by introducing a new regional currency as they move towards establishing a regional customs union. Nobel Prize-winning economist Robert Mundell, speaking shortly after the president, supported Nazarbayev's proposal for a new global currency, although he cautioned that it would be difficult to implement. Nazarbayev originally proposed these ideas in an article published in Russia's "Rossiskaya Gazeta" on February 2. END SUMMARY.

"KEYS TO THE CRISIS"

13. (U) On February 2, President Nazarbayev authored a nine-page article in Russia's "Rossiskaya Gazeta," describing his plans for overcoming the current economic crisis. Entitled "Keys to the Crisis," the article argued that the current crisis is unprecedented in human history and therefore demands unconventional ideas and innovative solutions, free from "old dogmas and stereotypes." Although Nazarbayev wrote that it would be "unproductive" to assign blame for the global crisis on any one nation, actor, or event, he nevertheless suggested that the "existing, de facto world currency" (i.e., the U.S. dollar) is illegitimate because it is not supported by an international law or treaty signed by the leaders of the majority of countries and ratified by a majority of the world's parliaments.

A MORE "CIVILIZED, ACCOUNTABLE" MONETARY POLICY

¶4. (U) Nazarbayev also wrote that the "activities of the issuer of the de facto world currency are not democratic," because there is no popular participation in the monetary policies of the U.S. government. Furthermore, he argued that the global currency market is not competitive or "civilized," since there are no global institutions that establish and enforce rules for fair play by all of the actors in the market. He also contended that those in charge of U.S. monetary policy were "unaccountable" to the countries, companies, and citizens of the world community, "and that is what generated the global crisis." Nazarbayev proposed the creation of a World Currency Court of Arbitration to hold "the issuers of the de facto world currency" accountable to the world community for their decisions.

FROM "DEFECTAL" TO "ACMETAL"

¶5. (U) Calling the current world currency "obsolete" and "defective," Nazarbayev suggested, perhaps with tongue in cheek, that the name of the U.S. dollar be changed to the "defectal," a combination of the words "defective" and "capital." He then proposed the creation of a new world currency and suggested it be called the "acmetal," based on the Greek word "acme," meaning peak or best, and "capital."

A PASSIONATE PLEA FOR RADICAL RENEWAL

¶6. (SBU) Opening the second annual Astana Economic Forum on March 11, President Nazarbayev reiterated many of the arguments in his April 2 article. (NOTE: Despite the economic crisis, the Forum was a lavish affair held at the new Palace of Independence and attended by more than 1,000 participants from government, industry, and the diplomatic corps. Including airfare and per diem costs for several

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prominent foreign speakers, we estimate the cost of the event to be in excess of \$1 million. END NOTE). Nazarbayev said that the economic models currently in vogue were created in the 18th century and are as obsolete as the steam engine. He also dismissed most attempts to reform the financial system as "cosmetic repairs" that would not address the root causes of the crisis. Urging the audience to embrace his proposal for a new global currency and new international regulatory institutions, Nazarbayev said, "Unless we achieve a radical renewal of the basic economic paradigm, the world will have little chance to survive."

OBLIQUE CRITICISM OF U.S. INFLUENCE

¶7. (U) Nazarbayev told forum participants that global market participants are unwillingly "forced to abide by rules imposed on them by others," a clear reference to the United States. He further complained that a "narrow circle" of monetary policy makers sets rules and makes decisions that "often violate the majority's interests" and he urged the leaders of the G-20 countries to consider his proposal to establish a new world currency system under the aegis of the United Nations that, in his opinion, would ensure a more stable, competitive, civilized, and accountable financial system. He also said that the "de facto world currency" is not legal because it was never approved by international treaty and contended that "the system for supplying the de facto world currency" is not "democratic, competitive, or free."

A NEW EURASIAN CURRENCY

¶8. (U) Nazarbayev proposed that the countries of the Eurasian Economic Community (Eurasec) take the initiative by introducing their own regional currency. "A single, supranational, cashless currency could be introduced" in Eurasec that, he opined, would not be dependent on the volatile fluctuations of other world currencies. Nazarbayev suggested that the currency be called the Euras or Eurasia and noted that Kazakhstan first proposed the idea of a new supranational currency in 2003, at that time to be called the "altyn."

CUSTOMS UNION EXPECTED TO DRIVE GROWTH

¶9. (U) In his speech, Nazarbayev stressed the importance of maintaining solidarity and common cause among the countries of Eurasia. At one point, he said rather pointedly, "One cannot expect outside assistance in the present situation: the donors of yesterday and those who used to teach us how to live and how to govern, now have to resolve their own large problems. If we don't take care of ourselves, nobody will," he said. He then suggested that the proposed Customs Union among Kazakhstan, Belarus and Russia would help lead countries in the region out of the crisis, and lamented that Ukraine was unlikely to join the Union. "Simply put," he said, "these four states, which account for 85 percent of the economy of the former Soviet Union, could become a locomotive of assistance to other members of the CIS."

SURPRISING SUPPORT

¶10. (U) President Nazarbayev anticipated that his proposal might not be widely accepted, at least initially: "I understand that for an unprepared audience, the idea of creating a global currency may sound too daring," he said, "but my conversations with the prominent participants of this forum have convinced me that this basic idea is not out of the ordinary," Nazarbayev said. Indeed, he received strong and surprising support for his plan from an intellectual architect of the euro, Nobel-prize winning economist Robert Mundell. "I must say that I agree with President Nazarbayev's statement and many of the things in his plan for a new world currency," Mundell said, adding that the idea held "great promise." Mundell acknowledged that it would be very difficult to achieve the "political integration" necessary to implement a new world currency and admitted that abandoning current national currencies and switching to one single currency would not be feasible. He also

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argued that not all countries should be forced to follow the same monetary policy rules, due to their significant differences in size and complexity. (NOTE: The other Nobel laureate flown in for the Forum, Edmund Phelps, was less enthusiastic, saying the proposal deserves "further study." END NOTE).

NOT-SO SURPRISING SUPPORT

¶11. (U) On February 10, several days after the appearance of Nazarbayev's article in "Rossiskaya Gazeta," Russia's ambassador to Kazakhstan, Mikhail Bocharnikov, said in a press interview that, "The creation of a common world currency under the aegis of the United Nations is quite possible." Bocharnikov suggested starting with the creation of a regional currency first, based, not surprisingly, on the ruble. "As for Russia, we support the president's proposal," he said. "The first practical attempt in this direction would be the movement to the (Russian) ruble as a common unit of accounting between Belarus and Russia," he said.

¶12. (SBU) COMMENT: Regardless of the merits of President Nazarbayev's proposal for a new world currency, three points are worth noting: (1) the proposal effectively criticizes the U.S. government and U.S. financial institutions for acting without care or concern for the welfare of others around the globe; (2) Nazarbayev first announced his proposal in the Russian media, signaling a desire to garner Russian popular, intellectual, and political support; and (3) the proposal to establish a Eurasian regional currency is presented in the context of broader regional Eurasian integration, including the creation of a Customs Union with Russia and Belarus, that may not be in the long-term interests of Kazakhstan. END COMMENT.

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